Annual Report and Financial Statements

2010-2011

Ontario

Health Quality Ontario

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LETTER OF TRANSMITTAL

October 7, 2011

Honourable Deborah Matthews
Minister of Health and Long Term Care
Hepburn Block, 10th Floor
80 Grosvenor Street
Toronto, Ontario M7A 2C4

Dear Minister:

On behalf of Health Quality Ontario (HQO), we are pleased to present you with the 2010/11 annual report for the former Ontario Health Quality Council (OHQC). The report reviews OHQC's performance for its fifth full year of operations and provides audited financial statements.

In brief, 2010/11 was an important year for OHQC. We developed and implemented Ontario's first quality improvement plans (QIPs) for all Ontario hospitals, expanded the Residents First quality improvement initiative to 525 long-term care homes by the end of the fiscal year, released the 2010 edition of the *Quality Monitor* report, and developed the 2011 *Quality Monitor*, incorporating significant enhancements to previous editions.

We start 2011/12 strengthened by the consolidation of the Medical Advisory Secretariat, the Quality Improvement and Innovation Partnership, and the Centre for Healthcare Quality Improvement with the former OHQC under the new name "Health Quality Ontario." In addition, we will benefit from the expertise of the Ontario Health Technology Advisory Committee, which is in the process of becoming a committee of the HQO board. We are confident that these structural changes will enable us to be even more effective as we work to promote evidence-based, quality healthcare for all Ontarians.

Thank you for your continued support of HQO's work.

Respectfully,

Lyn McLeod
Board Chair, HQO

Ben Chan
CEO, HQO

Charting the course of a new organization

Evolving out of the former OHQC, HQO has an important role to play in ensuring that our healthcare system, founded on principles such as universality, access and quality, performs at the highest possible level. The organization's mandate supports the Ontario government's vision to establish the province as a global leader in accelerating improvements in the quality of healthcare. As such, we recognize how important it is to use all of the levers at our disposal, singly and together with evidence based recommendations, quality improvement initiatives and public reporting.

HQO leverages some of the most talented experts in the province under the umbrella of one organization. With the new resources available to us, thanks to the amalgamation of the former OHQC with the Medical Advisory Secretariat, the Quality Improvement and Innovation Partnership, the Centre for Healthcare Quality Improvement and the expertise of the Ontario Health Technology Advisory Committee (OHTAC), we began a strategic planning exercise in early April 2011 aimed at establishing HQO's new vision, mission, values and strategic directions with input from our staff.

We anticipate that our vision, mission, values and first strategic plan will be finalized in the fall of 2011. In the interim, we continue to advance work in several key areas including:

- Completing initiatives underway and meeting commitments as described in our accountability agreement
- Building and developing the organization for success by consolidating organizational cultures and better integrating work across different functions
- Developing evidence-based funding recommendations and supporting the development of quality-based funding, drawing on expert resources including OHTAC
- Supplying quality improvement tools and supports, including Advanced Access and Efficiency for Primary Care, Residents First, Integrated Client Care and Releasing Time to Care, to meet the needs of different areas of the health system
- Providing health system monitoring and reporting services, including our annual report on the state of Ontario's health system

With our expanded mandate, we look forward to supporting the healthcare system in achieving high standards in the quality of care for the benefit of all Ontarians.

Ben Chan
CEO, HQO

The former OHQC's key accomplishments

Engaging and reporting to the public

The quality of the provincial health system is the responsibility of every Ontarian and the former OHQC and present HQO and partners aim to ensure that Ontarians are provided with the knowledge to understand whether quality is improving. Through the public release of the yearly report — *Quality Monitor: Report on Ontario's Health System* — Ontarians are presented with an evidence-based assessment of the quality of Ontario's publicly funded health system relative to nine attributes of a high-performing health system. These attributes represent the extent to which the system is accessible, effective, safe, patient-centred, equitable, efficient, appropriately resourced, integrated and focused on population health.

The organization take great effort to ensure that the information it presents is accurate and objective. It does this by partnering with highly respected researchers, choosing performance measures and data sources that are valid and reliable, and ensuring the content receives thorough scientific review.

On June 2, 2011, the organization released the 2011 edition of Quality Monitor — with the bulk of work on the report completed during the 2010/11 fiscal year. The new edition included additional international comparisons on patient experience in primary care, expanded analysis of hospital infections and adverse events, and expanded coverage of mental health, including suicide, intentional harm and depression. It incorporated refreshed data and more indicators for long-term care and home care reporting. It also profiled examples of success — healthcare facilities and providers that have achieved significant results in areas such as reducing wait times at emergency departments, for surgery and MRIs, and in primary care, addressing the alternative level of care (ALC) challenge, improving chronic disease management, and minimizing hospital-acquired infections and congestive heart failure readmissions. Media coverage of the report was broad across the province, including major Toronto dailies like the *Toronto Star*, *Toronto Sun*, *Ottawa Citizen*, *Hamilton Spectator*, *Guelph Mercury* and a substantial number of regional papers across the province, driven largely by the Sun Media Chain.

The organization's web-based reporting system for long-term care and home care made Ontario the first jurisdiction in Canada to report to the public on the quality of long term care and home care. As of March 31, 2011, 130 long-term care homes had volunteered to self report their results on pressure ulcers, falls and worsening bladder incontinence on the long-term care public reporting website. Since then, an additional 149 have volunteered, bringing the total number that will be reported in 2011/12 to a minimum of 279. The organization also reports data pertaining to 32 other indicators related to safety, effectiveness, resident experience and wait times as provincial averages. For home care, the organization makes information available about the quality of care and services provided to long-stay home care clients in 14 regions of the province.

Promoting alignment of indicator frameworks

Improving quality of care requires action at both the policy level and the care delivery level. The policy level typically involves policy makers who develop regulations and make decisions about how to allocate resources. The care delivery level typically involves managers and/or service providers and users of the system whose hands-on care decisions are informed by proven clinical best practices.

The organization collaborates with the Ministry of Health and Long-Term Care (MOHLTC), LHINs, healthcare provider organizations, researchers and other healthcare stakeholders to develop indicator frameworks and align measurement with strategy. Ideally, these publicly reported indicators drive health system management decisions. Aligned performance indicator frameworks ensure that change efforts occur in a uniform, purposeful and focused manner, and that, within the system, every stakeholder collectively monitors gains and losses in the same way.

In addition, the organization continues to work with the Local Health Integration Network Collaborative to develop a performance framework for Ontario's health service accountability agreements aligned to the former OHQC's framework of a high-performing health system. The technical specifications of the indicators publicly reported by the former OHQC have been used in the subset of performance and monitoring indicators' accountability agreements. In areas where previous accountability indicators were not aligned — for example, hospital readmission rates — the organization facilitates discussions with the goal of achieving a common definition to be used in Ontario. The organization is actively involved in alignment initiatives to ensure that indicators used by the MOHLTC are indeed aligned with indicators used for public reporting.

Building capacity for quality improvement

Leading healthcare systems around the world invest heavily in their staff to develop the skills required to use quality improvement science and tools. Quality improvement also depends on connecting different quality improvement teams working on similar topics, so they can effectively share their experiences on how to implement change. The organization's mandate is to support quality improvement and, as such, its approach has been to develop quality improvement resources and cultivate partnerships to support structured quality improvement activities.

In 2010/11, the former OHQC expanded the Residents First initiative, focused on advancing quality in the long-term care sector and representing one of the most comprehensive and innovative quality improvement initiatives in Canada. Residents First is designed to support long-term care homes in providing an environment for their residents that enhances their quality of life, through customized training in quality improvement science and practice. It is also aimed at facilitating comprehensive and lasting change by strengthening the long-term care sector's capacity for quality improvement.

Introduced in the fall of 2009 with an ambitious mandate of attracting 100 homes per year as voluntary participants, Residents First had 525 homes registered by the end of fiscal 2010/11. In 2010/11, 150 staff from these homes were trained as quality improvement facilitators and now serve as mentors and coaches to their colleagues. During that same period, over 500 staff from 100 homes participated in quality improvement collaboratives hosted in four regions of the province. A select number of homes also received on-site coaching in Lean process improvement (a process improvement methodology that has proven its value in the manufacturing sector). These homes worked on projects designed to release time to direct resident care. Projects ranged from improving flowchart documentation processes to streamlining admissions. On average, homes saved over 40 minutes each time they completed a process improvement project using Lean methodology. Projected over the course of a year, there is the potential to save countless hours, depending on the number of times the redesigned process is completed.

All improvement facilitators are also being trained in LEAN, so they can help teams in their homes examine workflow processes, search for ways to reduce duplication, standardize inconsistent steps and eliminate work that does not add value to the resident.

This fiscal year also saw the former OHQC's implementation of Ontario's first quality improvement plans (QIPs) for all Ontario hospitals, a legislated requirement. The *Excellent Care for All Act* (ECFAA) requires that every hospital:

- Establish a quality committee to report on quality-related issues

- Develop an annual quality improvement plan and make it available to the public
- Link executive compensation to the achievement of targets set out in the quality improvement plan
- Conduct patient/care provider satisfaction surveys
- Conduct staff surveys
- Develop a patient declaration of values following public consultation, if such a document is not currently in place
- Establish a patient relations process to address and improve the patient experience

The legislation makes quality improvement an executive responsibility. Hospital quality committees are required, under the ECFAA, to oversee the preparation of the annual QIP. As an integral member of the quality committee, it is recommended that the CEO/hospital administrator assist with the development and oversee the preparation of the annual QIP. In addition, the CEO and chair of the board are encouraged to certify that the organization's QIP fulfills the requirements of the ECFAA.

The development of the QIPs began with extensive consultation with the sector to ensure alignment with provincial objectives for the health system. The former OHQC then worked closely with the Ontario Hospital Association (OHA) and the MOHLTC to develop a template that allows for a province-wide comparison of and reporting on a minimum set of quality indicators. The organization also developed a companion guide to assist hospitals with the completion of their QIPs. In collaboration with the OHA, the former OHQC held information sessions to educate the sector about QIPs and answer any questions related to the completion of the template. By April 1, 2011, most Ontario hospitals had posted their QIPs on their websites and submitted them to the former OHQC.

Developing leadership in quality improvement

Research on high-performing health systems shows that having leadership focused on quality is key to achieving patient-centred transformation. Ideally, quality improvement leaders monitor results for indicators that are important to quality. These leaders also set targets for improvement and develop plans to achieve these targets. At the board level, for example, this may mean setting global targets to improve an institution's quality indicator scores, allocating funds and other resources to support this improvement, setting aside 25% of board meeting time to review quality indicator performance and holding management accountable for the results. Governors and senior managers play an instrumental role in building the culture of continuous quality improvement.

The former OHQC's Residents First initiative features a learning stream for leaders, Leading Quality, which builds on proven and recognized leadership curricula. Areas of focus include:

- Quality of the board and its practice
- Performance, measurement and reporting system
- Executive and senior team accountability
- Clinical leadership engagement
- Resident and family engagement

In September 2010, the first Leading Quality event attracted a historic gathering of 1,264 long-term care home leaders in Toronto. Together they explored how to take quality to the next level. The event featured distinguished and inspirational speakers such as Dr. Kenneth Kizer, who has been repeatedly selected as one of the 100 Most Powerful People in Healthcare, as well as Dr. Nick Bontis, a leading expert on intellectual capital and its impact on performance.

That same year, the former OHQC collaborated with the Ontario Hospital Association (OHA) and its Governance Centre of Excellence (GCE) on the development of the *Quality and Patient Safety Governance Toolkit*, an online resource for Ontario hospital boards. Since every organization follows a different path to improving patient safety and quality governance, the toolkit provides a range of guidance that can be tailored to the unique needs of Ontario's diverse hospital organizations. The toolkit's tools and templates combine new legislative requirements specific to Ontario hospital governance with leading and emerging practices. Examples from highly effective boards of various types of Ontario hospitals,

as well as other jurisdictions, are found throughout the toolkit, as are certain questions boards should ask to properly fulfill specific oversight duties.

Preparing to consolidate into one organization

On June 8, 2010, the *Excellent Care for All Act* received Royal Assent. As stated in the preamble of the Bill, "The people of Ontario and their Government believe in the importance of our system of publicly funded health care services and the need to ensure its future so that all Ontarians, today and tomorrow, can continue to receive high quality health care."

Under the *Excellent Care for All Act*, the former OHQC's and present HQO's mandate is to:

- Recommend evidence-informed standards of care
- Support the adoption of standards of care among healthcare providers
- Monitor and report on health system performance
- Increase accountability and build synergies among existing programs
- Focus on the patient's entire care journey

To help accomplish this, the following organizations and programs have been amalgamated under the new name "Health Quality Ontario":

- The Ontario Health Quality Council
- The Medical Advisory Secretariat
- The Quality Improvement and Innovation Partnership
- The Centre for Healthcare Quality Improvement
- The Ontario Health Technology Advisory Committee

In 2010/11, under direction from the Ministry of Health and Long Term Care, the former OHQC laid the groundwork for the amalgamation of these organizations and programs. This included many discussions with stakeholders about the organization's future and how to adapt to the new mandate under the *Excellent Care for All Act*. The former OHQC also engaged in preparatory activities to foster a joint culture, arrange space for staff affected by the amalgamation and merge administrative functions.

NEW BEGINNINGS

Consolidating the Medical Advisory Secretariat, the Quality Improvement and Innovation Partnership, the Centre for Healthcare Quality Improvement and the Ontario Health Technology Advisory Committee with the former OHQC has significant potential to improve the quality of Ontario's healthcare system.

Previously, quality improvement activities were fragmented, with different organizations supporting hospitals and home care, primary care providers and long-term care homes. Going forward, these activities will be aligned and integrated. The newly created HQO will be able to rapidly translate evidence-based recommendations into practical tools that help healthcare providers adopt best practices. The organizations will also benefit from economies of scale.

LOFTUS ALLEN & CO. PROFESSIONAL CORPORATION
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To The Members of Ontario Health Quality Council o/a Health Quality Ontario:

We have audited the accompanying financial statements of Ontario Health Quality Council o/a Health Quality Ontario, which comprise the statement of financial position as at March 31, 2011, and the statements of revenue and expenses, and cash flows for the year then ended, along with a summary of significant accounting policies, related schedules, and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Health Quality Council o/a Health Quality Ontario as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Loftus Allen & Co.
Professional Corporation

Chartered Accountants, authorized to practice
public accounting by The Institute of
Chartered Accountants of Ontario

June 20, 2011

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STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011 (with comparative figures for 2010)

	2011	2010
ASSETS		
CURRENT		
Cash	$ 232,661	$ 1,456,210
Accounts receivable	441,000	-
Prepaid expenses	345,387	46,998
	1,019,048	1,503,208
CAPITAL ASSETS		
Computer and equipment	126,428	126,428
Office furniture and fixtures	80,313	80,313
Leasehold improvements	229,479	229,479
	436,220	436,220
Less: Accumulated amortization	436,220	436,220
	-	-
TOTAL ASSETS	$ 1,019,048	$ 1,503,208
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 1,009,095	$ 877,358
Due to the Ministry of Health & Long Term Care, *Note 3*	9,953	625,850
TOTAL LIABILITIES	$ 1,019,048	$ 1,503,208

APPROVED ON BEHALF OF THE BOARD:

Andy Molino
Chair, Audit & Resources Committee

Lyn McLeod
Board Chair

The attached notes are an integral part of these financial statements.

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED MARCH 31, 2011 (with comparative figures for 2010)

	2011	2010
REVENUE		
Ministry of Health and Long Term Care	$ 7,433,275	$ 4,558,186
Speaking engagements	2,653	6,854
Interest	10,171	5,510
	7,446,099	4,570,560
EXPENSES		
Administration expenses – see schedule (page 3)	3,668,606	2,423,341
Research	510,971	356,639
Communications	233,092	521,086
Quality improvement expenses – see schedule (page 3)	2,766,792	934,278
Special project expenses	256,685	
	7,436,146	4,235,344
EXCESS OF REVENUE OVER EXPENSES	9,953	335,206
DUE TO THE MINISTRY OF HEALTH AND LONG TERM CARE, *Note 3*	$ 9,953	$ 335,206

The attached notes are an integral part of these financial statements.

SCHEDULE OF ADMINISTRATION EXPENSES

FOR THE YEAR ENDED MARCH 31, 2011 (with comparative figures for 2010)

	2011	2010
ADMINISTRATION EXPENSES		
Salaries and benefits	$ 2,397,736	$ 1,885,349
Rent	514,957	181,086
Computer expenses	202,401	121,256
Office supplies, postage, couriers and printing	131,153	50,186
Legal and audit services	96,642	17,183
Human resources services	94,365	21,875
Publications and memberships	71,242	27,756
Travel	52,067	21,237
Council honoraria	50,274	37,841
Telecommunications	40,115	20,130
Financial services	9,946	24,702
Insurance	6,686	11,006
Office equipment and leasehold improvements	1,022	3,644
	$ 3,668,606	$ 2,423,341

SCHEDULE OF QUALITY IMPROVEMENT EXPENSES

FOR THE YEAR ENDED MARCH 31, 2011 (with comparative figures for 2010)

	2011	2010
QUALITY IMPROVEMENT EXPENSES		
Salaries and benefits	$ 1,899,456	$ 458,814
Learning events	430,556	115,683
Human resources services	115,076	47,251
Office supplies, postage, couriers and printing	109,372	47,993
Travel	83,178	19,893
Professional fees	68,418	47,702
Telecommunications	28,657	8,546
Honoraria	21,011	18,300
Web design and hosting	9,809	14,819
Computer expenses	1,259	91,158
Computer equipment	-	64,119
	$ 2,766,792	$ 934,278

The attached notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011 (with comparative figures for 2010)

	2011	2010
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash received from the Ministry of Health and Long Term Care	$ 6,992,275	$ 4,558,186
Cash from interest	10,171	5,510
Cash from speaking engagements	2,653	6,854
Cash paid for administration	(4,461,108)	(2,433,518)
Cash paid for research	(510,971)	(356,639)
Cash paid for communications	(233,092)	(521,086)
Cash paid for quality improvement	(2,766,792)	(934,278)
Cash paid for special projects	(256,685)	-
(DECREASE) INCREASE IN CASH	(1,223,549)	325,029
CASH, beginning of year	1,456,210	1,131,181
CASH, end of year	$ 232,661	$ 1,456,210

The attached notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2011

1. THE ORGANIZATION

The Ontario Health Quality Council (OHQC) is an independent agency, created under Ontario's *Commitment to the Future of Medicare Act* on September 12, 2005.

Under the *Excellent Care for All Act* (ECFAA) enacted June 3, 2010, OHQC's mandate was expanded to:

- Recommend and help health care providers adopt evidence based standards of care and best practices;
- Monitor and report on quality improvement efforts across health care sectors; and
- Lead provincial efforts to improve safety, quality, efficiency, and the patient experience across all health care sectors.

OHQC was granted the business name Health Quality Ontario (HQO) on February 15, 2011. On April 1, 2011, four organizations were merged into HQO. They are the Medical Advisory Secretariat of the Ontario Ministry of Health and Long Term Care, the Centre for Healthcare Quality Improvement, Ontario Health Quality Council and the Quality Improvement and Innovation Partnership. In addition, HQO assumed responsibility for the Ontario Health Technology Advisory Committee and the Ontario Health Technology Evaluation Fund. HQO is proud to join in the creation of the province's preeminent organization responsible for promoting and advancing quality within Ontario's healthcare system.

This merged organization will coordinate, consolidate, and strengthen the use of evidence based practice initiatives and technologies, support continuous quality improvement and continue to monitor and publicly report on health system outcomes. Moving forward HQO's mandate will include the recommendation of evidence informed care, providing continuous support for the adoption of standards of care among health care providers, and monitoring and reporting on health system performance.

The consolidation of this health quality infrastructure will increase accountability, build synergies amongst existing programs, and allow the agency to focus on the patient's entire care journey across all sectors. HQO's goal is to support this more efficient, patient centred care journey.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

The financial statements are prepared in accordance with Canadian generally accepted accounting principles except for capital assets, which are amortized 100% in the year of acquisition. This policy is in accordance with the accounting policies outlined in the Ontario Ministry of Health and Long Term Care funding guidelines.

(b) Revenue recognition

The deferral method of accounting is used. Income is recognized as the funded expenditures are incurred. In accordance with the Ontario Ministry of Health and Long Term Care guidelines, certain items have been recognized as expenses although the deliverables have not all been received yet. These expenses are matched with the funding provided by the Ministry for this purpose.

(c) Donated materials and services

Value for donated materials and services by voluntary workers has not been recorded in the financial statements. These services are not normally purchased by the organization and their fair value is difficult to determine.

(d) Capital assets

Capital assets purchased with government funding are amortized 100% in the year of acquisition in accordance with funding guidelines, as long as the capital assets have been put to use.

3. DUE TO THE MINISTRY OF HEALTH AND LONG TERM CARE

Excess revenue over expenses must be repaid to the Ministry of Health and Long Term Care unless specific carry over authorization is provided for all or part of the funds.

	2011	2010
Excess revenue over expenses in 2009	$ -	$ 290,644
Excess revenue over expenses in 2010	-	335,206
Excess revenue over expenses in 2011	**9,953**	-
Total repayable at year end	**$ 9,953**	$ 625,850

4. LEASE OBLIGATIONS

Due to the growth of the organization, there were several locations in existence on April 4, 2011 as referred to in Note 1. A new location is being renovated at a cost of $1,036,074 to accommodate the new requirements of the OHQC. There will be two property leases by the end of the next fiscal year: a main location with a lease ending August 31, 2018, and a secondary location with a lease ending August 25, 2015. The main lease net annual rent is $218,746 until March 31, 2015 and then it increases to $301,550 until August 31, 2018. The secondary lease net annual rent is $80,206 ending August 25, 2015. These obligations have been accepted by the Ontario Realty Corporation (ORC) as the tenant and the ORC charges the OHQC rent. There is no formal lease between the ORC and the OHQC. The annual net of rental premises and other obligations during the next five years of the leases are estimated as follows:

2012	$416,556
2013	$358,289
2014	$328,621
2015	$298,952
2016	$334,969

5. ECONOMIC DEPENDENCE

The OHQC receives all of its funding from the Ministry of Health and Long Term Care.

6. FINANCIAL INSTRUMENTS

Fair value – The carrying value of cash, accounts payable and accrued liabilities as reflected in the balance sheet approximate their respective fair values due to their short term maturity or capacity for prompt liquidation. The organization holds all of its cash at one financial institution.

7. SUBSEQUENT EVENTS

On April 1, 2011, as a result of the merger referred to in Note 1, the Organization announced the implementation of a plan that will increase the Organization's overall revenue and expenses significantly. As a result of this plan, the Organization will increase its workforce from $3.5 million to $9 million. The Organization estimates that the restructuring charges associated with this merger and consolidation of facilities specifically identified to date will be approximately $3 million, including approximately $1.5 million related to renovations and approximately $1.5 million related to facility consolidation with the other merged entities. The Organization estimates that the restructuring measures taken to date will result in approximately $1.5 million in cash payments in the 2012 fiscal year.

Operating revenue and expenses are forecasted at $32.4 million for the merged organization in 2012 provided there is approval and acceptance from the Ontario Ministry of Health for HQO's proposed three-year business plan.

8. COMMITMENTS

The OHQC is committed to contracts with various arm's length parties over the next two years to provide services that will enable the organization to fulfill its mandate. These contracts involve future payments in 2012 of $50,000 and in 2013 of $50,000.

After April 1, 2011, as a result of the merger referred to in Note 1, the Organization has additional future contractual obligations in excess of $5 million.

9. CONTINGENT LIABILITY

The Organization inherited a severance commitment of $0.4 Million from the Medical Advisory Secretariat of the Ontario Ministry of Health and Long Term Care as mentioned in Note 1.

SCHEDULE OF REVENUE, EXPENSES, AND BUDGET

FOR THE YEAR ENDED MARCH 31, 2011

	ACTUAL	BUDGET
REVENUE		
Ministry of Health and Long Term Care	$ 7,433,275	$ 7,433,275
Speaking engagements	2,653	-
Interest	10,171	-
	7,446,099	7,433,275
EXPENSES		
Administration expenses	3,668,606	4,104,946
Research	510,971	631,875
Communications	233,092	355,100
Quality improvement expenses	2,766,792	1,753,354
Special project expenses	256,685	588,000
	7,436,146	7,433,275
DUE TO THE MINISTRY OF HEALTH AND LONG TERM CARE	$ 9,953	$ -

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